

[24 April, 2001]

RAJYA SABHA

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*Tuesday, the 24th April, 2001/4 Vaisakha, 1923 (Saka)*

The House met at eleven of the clock, Mr. Chairman in the Chair.

### ORAL ANSWERS TO QUESTIONS

#### North East as special Economic growth region

\*541. DR. ARUN KUMAR SARMA: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the issues regarding percentage of securities, debt-equity ratio and working capital loan as well as treating North East as special economic growth region recommended in the 36th report of Standing Committee of Commerce *vide* Recommendation No. 164 and 165 have been resolved;

(b) whether single window clearance recommended in the said report *vide* Recommendation No. 174-C has been implemented;

(c) if so, the details thereof; and

(d) if not, the target set for implementation of the said recommendations?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI OMAR ABDULLAH): (a) to (d) A Statement is laid on the Table of the House.

#### Statement

(a) Yes, Sir. Reserve Bank of India has issued general guidelines to banks to adopt flexible approach in the matter of security and collateral norms as well as debt equity ratio. Banks have been advised that no viable project should be turned down merely for want of collateral. However, decision regarding norms of security etc. has been left to the commercial judgement of the Bank keeping in view their over all profitability and viability. The lending policies of the Banks are decided by their respective boards and the board of the Bank may give special concession/relaxation to a particular region

depending upon a specific requirement of the region such as poor credit deposit ratio *vis-a-vis* potential for credit absorption. The collateral are obtained by Banks in accordance with their lending policy from all States including the States in North-East.

As regards treating the North-East as a Special Economic growth region, Central Government has implemented a new Industrial Policy for North East in 1997 wherein various incentives and concessions have been given. Some of the other measures include setting up of growth centres, Industrial Infrastructure Development (IID) centres, Export Promotion Industrial Parks (EPIPs), earmarking of atleast 10% of outlays for expenditure in North-East and double weightage to exports from North East Region for recognition of Export Houses, etc.

(b) to (d) Yes, Sir. As regards the single window clearance of term loan subsidies and working capital requirement through NEDFI, they have already provided these facilities through its North East Equity Fund (NEEF). Those who availed themselves of the facility of North-East Equity Fund (NEEF), were provided the term loan equity and working capital requirement together.

DR. ARUN KUMAR SARMA: Sir, the hon. Minister has mentioned about the collateral security. The reply of the hon. Minister says that the collaterals are obtained by the banks in accordance with their lending policy from all States, including the States in the North-East. Sir, in actual practice, sometimes, more than 400 per cent collateral securities are demanded by the banks in the North-East. The result is, the entrepreneurs cannot avail of the bank facilities for any industrial purpose. Therefore, there is no industrial growth in the North-East.

Secondly, the Reserve Bank has issued guidelines for having a flexible approach in the matter of security and collateral norms as well as debt equity ratio. The RBI has issued some guidelines to the banks to adopt a flexible policy for the North-East. But, so far as my information goes, the banks have not adopted any flexible norms. I want to know precisely from the Minister when these guidelines were issued by the RBI and what is the outcome of that? I also want to

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know whether the Minister would take up the issue relating to collateral security...

MR. CHAIRMAN: You have put many supplementaries, not one.

SHRI OMAR ABDULLAH: Mr. Chairman, Sir, the functioning of the banks and their credit policy, lending rules, etc., are governed by the laws of the RBI. This is a matter that concerns the Finance Ministry. I am not versed enough in the subject to be able to address the concern about the credit policies of the banks, except that I can say that the disbursement by the special vehicle that was set up, the North-Eastern Development Finance Corporation, has increased from Rs. 14.63 crores to Rs. 50 crores. And, cumulatively, since the package was put into place in 1997, Rs. 514 crores have been disbursed for industrial development in the North-East which is quite a considerable sum. It shows that the package is working, money is being taken and people are coming forward to borrow money to invest in industries in the North-Eastern region.

MR. CHAIRMAN: Do you want to put your second supplementary?

DR. ARUN KUMAR SARMA: Sir, actually my question has not been answered. The problem is with the lending policy of the banks. The entrepreneurs are never helped by the banks. The credit-deposit ratio in the North-East is one of the lowest in the country. That is why the Standing Committee on Commerce made that recommendation. But, so far, that recommendation has not been implemented. Even though the RBI has issued the guidelines, the banks have not followed it.

Also, there is an industrial policy, specially declared for the North-East, which has some locational restrictions. I want to know whether that local restriction has been removed, as proposed by all the States of the North-East. The NEDFC has already exhausted whatever money was given to it. Even the Prime Minister declared that the NEDFC would be provided sufficient funds for helping the entrepreneurs, for the industrial growth of the North-East. I want to know whether that has been adhered to.

**SHRI OMAR ABDULLAH:** Sir, in my answer to the earlier supplementary, I mentioned that as far as rules governing the functioning of the banks, etc., are concerned, it is a question that should be posed to the Finance Ministry. Now, as for the second supplementary that the hon. Member has put, with regard to the relaxation of the restrictions on limiting the package to notified industrial regions, this is a matter which is under active consideration of the Commerce Ministry, and a decision is soon to be taken.

As far as the third question is concerned, the hon. Prime Minister has already committed that ample money will be given for investment in the North-Eastern region. This is a commitment to which the Government stands by.

**DR. MANMOHAN SINGH:** Mr. Chairman, Sir, the hon. Minister has mentioned about the role of the North-Eastern Development Finance Corporation. I agree with him that this Corporation is doing good work, but right now, the Corporation feels that it is handicapped for want of additional resources. The Rs. 50 crore limit or the target that was fixed by the Prime Minister last year has been achieved, but the Corporation has, in fact, represented to the Government that they need additional resources, more so, resources on concessional terms, if they are to meet the needs of the North-Eastern region. Would the hon. Minister tell us as to what is the Government's thinking about the request that has been made by the Chairman of the NEDFC for additional resources on concessional terms?

**SHRI OMAR ABDULLAH:** Sir, the proposal is under the active consideration of the Ministry. The Ministry of Commerce and the Ministry of Finance would work together in this. Any problem with regard to shortfall in resources would be sorted out by the Government.

**SHRI SHANKAR ROY CHOWDHURY:** Sir, my question relates to banks and hence I am not putting it.

**SHRI KHAGEN DAS:** Sir, the trend of investment by the financial institutions and banks in the North-Eastern region shows that they are more inclined to help in the development of the tertiary

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sector than the primary and secondary sectors. The economy of a State can't develop if this trend is not set right immediately. The Standing Committee on industry recommended formulation of a new separate banking set-up for the North-Eastern region. May I know from the hon. Ministers as to what action the Government has taken on the recommendation of the Standing Committee? If no action has been taken, would the Government consider advising the banks and the concerned financial institutions to extend more financial assistance to the primary and secondary sectors?

SHRI OMAR ABDULLAH: Sir, once again, the question relates to the functioning of banks in the North-Eastern region, which is not under the purview of my Ministry. This question may be posed to the Finance Ministry.

SHRI JIBON ROY: Sir, all the promises on the economic development of the North-East have turned out to be fraud and gimmicks. Articles 38 and 39 are in jeopardy, which call for equity in economic growth. The recent figures released by the Ministry of Planning, in response to my Unstarred Question No. 1244 of 30.11.2000, show that the economy of most of the States is almost destroyed; this is so even in the Eastern Region, except West Bengal. The figures show that in Arunachal Pradesh, from the 80's the 80's, the growth rate has come down to 0.53% from 4.64%, Assam from 1.87% to 0.88%; Meghalaya from 1.79% to 2.05%; Tripura, of course, from 2.09% to 4.21%. Even in the East, there is no growth, In Bihar, there is no growth; in Orissa, there is no growth in Uttar Pradesh there is no growth between the 80's and the 90's.

If this is the situation after ten years of reforms, then the Government should see how to ensure economic growth. When the Government fails to do so, I propose that Parliament should step in. I propose constitution of a JPC to see how the economic development in the North-East can be ensured. If the Government fails, then Parliament should come in. I would like to know the reaction from the Government over the proposal to constitute a JPC for the economic development of the North-East.

SHRI OMAR ABDULLAH: Sir, I have nothing to comment



about the formation of a JPC for development of the North-East because I don't believe that a JPC on this is necessary. I don't subscribe to the assumption that the hon. Member is working on, that the Government has failed; it is not entirely true. If I am not mistaken, he has taken four States. He has quoted the figures; it shows that two States have shown an increase and two States have shown a decline. I am not saying that the North-East is free from problems. There are problems in gathering investment for the North-Eastern region, and there are problems of economic development. It is primarily for that reason that the North Eastern States Package was put into place. It is as a result of that North-Eastern States Package that we have seen considerable investment in the North-Eastern region. The Government is also addressing the concerns of the North Eastern region. Because of its geographical location and the problem of transportation, a considerable sum of money, in the form of transport subsidy, has been allocated to industries there. In fact, Mr. Chairman, Sir, since 1971, almost 54% of the total transport subsidy of the country has gone to the North East region, which amounts to Rs. 340 crores. The aim of giving transport subsidy is to make the industries more viable there.

Aside from this, time and again, whether it be in the Budget, whether it be in the EXIM Policy and other documents that the Government releases, ample measures are.... *(Interruptions)*...

SHRI JIBON ROY: What is the public interest?

SHRI SANGH PRIYA GAUTAM: It is a very good reply. It is a convincing reply.

SHRI OMAR ABDULLAH: ... put forward; for example, the growth centre schemes for which separate measures are made for the North-East Region. As I mentioned, the Transport Subsidy Scheme, even the Central Capital Investment Schemes, the EIPs, the Growth Zones; everything is structured around this assumption that we need ... *(Interruptions)* ...

SHRI KHAGEN DAS: Will the hon. Minister reply as to how many schemes have effectively been implemented? There are so many schemes such as the EIP, Growth Centres, etc., but how

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many schemes have been implemented effectively. You inform the House ... *(Interruptions)* ...

SHRI JIBON ROY: Sir, unless public investment is there, the North-East will be destroyed. No amount of promises or assurances will save the North-East. Public investment has to be there. Subsidy will not work. ... *(Interruptions)* ...

SHRI OMAR ABDULLAH: Sir, the problem is that the hon. Member does not want to hear the reply when the facts go against his question ..... *(Interruptions)* ...

MR. CHAIRMAN: Let him reply.

SHRI OMAR ABDULLAH: I am putting forward facts in front of the hon. Member that shows that the Government is seriously committed to improving the economic condition of the North-Eastern States. The hon. Member asked an out of turn question regarding the parks and how much investment has gone into this, I would like to submit that four Export Promotion Industrial Parks have been approved for the North-East -- One in Nagaland, one in Manipur, one in Meghalaya and one in Assam. Trade Centres have also been sanctioned for Imphal and Moreh in Manipur. Aside from this, when proposals are received from the State Governments, they are acted upon immediately. I have also mentioned about the capital investment in the North-Eastern Region. North-Eastern Financial Development Corporation has already financed 207 projects in the North-Eastern Region, with a total capital investment of Rs. 514.99 crores since the year 1996-97. So, this is not a small sum by any stretch of imagination.

#### **Ban on import of soda from USA**

\*542. SHRI K. RAMA MOHANA RAO: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether it is a fact that the Government are blocking soda imports from USA and other countries;

(b) whether it is also a fact that the American National Soda Ash Corporation has filed a petition with the officer of the US trade representative; and